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For Immediate Release

January 25, 2010

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**Response to Request to Comment on a Consultant's
Government Efficiency Report – Savings or Not?**

By David A. Vaudt

(Des Moines, Iowa) – During his Condition of the State on January 12, 2010, Governor Culver outlined his priorities for the next legislative session. Two of his priorities involved reducing the cost of government; however, only one of the two has any detail associated with it—implementation of the recommendations in a consultant's Government Efficiency Report. Since the consultant's report will play an integral part in the Fiscal Year 2011 budget development, I was asked to review the recommendations and comment on the validity of the proposed cost savings/revenue. Webster's dictionary defines "savings" as "any reduction in expense" and "revenue" as "an item or source of income," and those definitions guided my evaluation. Based upon my review, while the majority of the savings/revenue (hereinafter referred to as "savings") appear to warrant further scrutiny and evaluation, two recommendations are improperly categorized as savings.

The first item inaccurately called savings in the consultant's report is the proposal to "support operations of the Iowa State Patrol with the Road Use Tax Fund." Currently, the operations of the State Patrol are paid for from the General Fund. This proposal to instead fund the State Patrol from the Road Use Tax Fund does not produce any savings for Iowa taxpayers. Taking costs from one pot of taxpayers' money and moving those costs to another pot of taxpayers' money does not reduce spending. In this case, every dollar that is scooped from the Road Use Tax Fund to support the Iowa State Patrol operations decreases the resources available to construct and maintain Iowa's roads—a primary purpose of the Road Use Tax Fund. One also has to seriously question the validity of such a recommendation in light of a recent report which concluded the monies collected in Iowa's Road Use Tax Fund are already inadequate for the construction and maintenance of Iowa's roads and bridges. Under this proposal, annual road construction and maintenance work would be reduced by \$50 million a year, or \$250 million over a five-year period—meaning Iowa's transportation infrastructure would further deteriorate and hundreds of construction-related jobs each year could be lost. Simply shifting costs out of the General Fund does not result in savings for the taxpayers of Iowa.

The second item in the consultant's report incorrectly claiming to provide savings is the proposal to modernize "Iowa's unclaimed property search capabilities." According to the consultant's report, unclaimed property comes "to the states who act as custodians of the property until it can be returned to its rightful owner." While Iowa already handles this responsibility for a wide range of unclaimed property, the consultant identified two

types of unclaimed property where Iowa could help match more property with its owners—unclaimed assets from demutualized insurance companies and unclaimed U.S. bonds. According to the consultant's report, the total value of these assets would be \$40 million in year one and approximately \$200 million over a five-year period. These assets belong to the taxpayers and must be returned to them. The only way these assets could provide revenue for the State's budget is if the assets are not returned to Iowa taxpayers. If the State carries out its duty to match and return the property to its rightful owners, no revenue will be generated for the State to spend. Taking possession of unclaimed property belonging to Iowans does not result in taxpayers' savings.

As the Governor and Legislature struggle with severe budget problems, they will be relying on the recommendations in the consultant's report to produce savings needed to help balance the budget. That's why it is so important to understand where the consultant's purported savings clearly fall short of being true taxpayers' savings. Armed with this knowledge elected officials can make better decisions about how the consultant's savings recommendations will or will not reduce the cost of government in order to deal with the nearly \$1 billion budget gap they face today.

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